

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 EA-11 NEA-10 ADP-00 L-03 SCEM-02

COME-00 INT-08 TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01

SS-15 NSC-10 PRS-01 CIEP-02 RSR-01 /121 W

----- 024612

R 241411 Z MAY 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 3978

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

USMEC BRUSSELS

AMCONSUL DHAHRAN

AMEMBASSY THE HAGUE

AMEMBASSY JAKARTA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY PARIS

USMOECD PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

C O N F I D E N T I A L JIDDA 2158

BEIRUT PASS BAGHDAD

E. O. 11652: DECLAS, DEC 31, 1979

TAGS: ENRG

SUBJ: LIBYAN OIL NEGOTIATIONS

REF: (A) STATE 097463; (B) JIDDA 2052 (NOTAL)

1. IT IS EMBASSY' S VIEW THAT IN EVENT OF A CONFRONTATION
BETWEEN GOL AND PRODUCING COMPANIES, SAG WOULD BE DEF-
INITELY DISINCLINED FOLLOW LIBYAN LEAD. MINISTER OF PET-
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ROLEUM YAMANI-- AND SAG IN GENERAL- HAVE INVESTED CONSIDER-
ABLE EFFORT AND PRESTIGE IN ESTABLISHING CONCEPT OF
PARTICIPATION AS MOST ADVANTAGEOUS RELATIONSHIP BETWEEN
SAG AND OIL COMPANIES. PARTICIPATION AGREEMENTS HAVE
ALREADY WITHSTOOD TREMORS RESULTING FROM SHAH'S REVISION
OF AGREEMENTS WITH COMPANIES IN IRAN, AND SAUDIS WOULD
NOT NOW WISH TO SEEM TAIL TO QADHAFI'S KITE.

2. IN THEIR RELATIONS WITH OIL COMPANIES MOREOVER SAUDIS
HAVE TRADITIONALLY PREFERRED GRADUAL EVOLUTIONARY APPROACH
RATHER THAN ONE PROCEEDING VIA SHARP CONFRONTATION:
SAUDI PREFERENCE FOR NEGOTIATION IN ADVERSARY RELATION-
SHIP INDICATED MOST RECENTLY BY YAMANI'S EFFORTS TO
BRIDGE GAP (PER REFTEL BETWEEN OPEC DEMANDS FOR COMPEN-
SATION OVER LATEST DOLLAR DEVALUATION AND OIL COMPANIES'
PROPOSALS.

3. WE DOUBT HOWEVER WHETHER SAUDIS WOULD, BY THEMSELVES
AND ON THEIR OWN INITIATIVE, TAKE ANY POSITIVE ACTION
TO SWAY LIBYANS IN DIRECTION OF MODERATION VIA SOME
APPROACH TO GOL-- WHICH MIGHT INVITE REBUFF BY QADHAFI
AND PERHAPS EVEN DRAW CRITICISM UPON SAUDI S FOR ACTING
ON BEHALF OF " INTERNATIONAL OIL MONOPOLY".

4. IF DEPARTMENT WISHES, WE WOULD BE WILLING SEEK EARLY
OPPORTUNITY SOUND OUT YAMANI (WHO CURRENTLY ABSENT IN
CONNECTION OPEC PRICE NEGOTIATIONS) ON HIS VIEWS TOWARD
THREATENED LARG- COMPANY CONFRONTATION. IN SUCH DISCUSSION
WE COULD PROVIDE CLEAR DESCRIPTION DANGERS AS WE SEE
THEM FOR BOTH PRODUCING AND CONSUMING GOVTS OF PRESENT
QADHAFI APPROACH AND COULD URGE CONSIDERATION BY SAG OF
SOME DISCREET EFFORT ON ITS PART, EITHER ALONE OR IN CON-
CERT WITH OTHER OPEC MEMBERS, TO PERSUADE LIBYANS DEMON-
STRATE GREATER MODERATION, AT LEAST AS REGARDS THEIR
TACTICS. WE NOT TOO HOPEFUL YAMANI WOULD RESPOND FAVOR-
ABLY OR PROMISE TO TAKE ACTION BUT WE BELIEVE CHANCE OF
SUCCESS JUST SUFFICIENT TO WARRANT THE ENDEAVOR (WHICH
WOULD PROVIDE IN ANY CASE ENLGHTENMENT ON SAUDI VIEW
OF MATTER AND OPPORTUNITY OFFER BY IMPLICATION FIRM
DISCOURAGEMENT ANY SAUDI SENSE OF COMPULSION TO FOLLOW
QADHAFI EXAMPLY.)

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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 24 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JIDDA02158
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: DECLAS, DEC 31, 1979
Errors: n/a
Film Number: n/a
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730554/aaaajtxl.tel
Line Count: 111
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 STATE 097463, 73 JIDDA 2052 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 09 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Aug-2001 by shawdg>; APPROVED <12-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 980305
Subject: LIBYAN OIL NEGOTIATIONS
TAGS: ENRG
To: ABU DHABI
BEIRUT
BONN
DHAHRAN
EB
JAKARTA
SECSTATE WASHDC

THE HAGUE
USM EC BRUSSELS

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005